

## Message Text

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PAGE 01 KATHMA 05560 201222Z  
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 IO-13 DOE-12 COME-00 TRSE-00  
AID-05 CIAE-00 DODE-00 PM-05 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
OMB-01 /096 W

-----105381 201238Z /14

R 201030Z DEC 77  
FM AMEMBASSY KATHMANDU  
TO SECSTATE WASHDC 0484  
INFO AMEMBASSY NEW DELHI  
AMEMBASSY DACCA

C O N F I D E N T I A L KATHMANDU 5560

E.O. 11652: GDS  
TAGS: PFOR, EAID, NP, IN  
SUBJECT: INDIAN PRIME MINISTER'S VISIT TO NEPAL

REF: KATHMANDU 5426

1. IN RECENT CONVERSATION WITH DCM, INDIAN EMBASSY DCM ARORA SAID TREATIES ON TRADE AND TRANSIT WERE "JUST ABOUT READY" AND SHOULD BE SIGNED WITHIN A MONTH OR SO. HE NOTED THAT INDIA REGARDED THE TWO TREATIES AND THE SEPARATE AGREEMENT ON DEFLECTION OF TRADE (I.E., SMUGGLING) AS AN INTEGRAL PACKAGE. ASKED WHAT THE CONTENT OF THE LATTER AGREEMENT WOULD BE, AROURA SAID IT WOULD INCLUDE AN UNDERTAKING BY BOTH SIDES TO STRENGTHEN BORDER CUSTOMS CONTROLS. BUT, IN ADDITION, HE SAID, INDIA WOULD EXPECT NEPAL TO MAKE SOME CHANGES IN ITS EXPORT INCENTIVE PROGRAM (UNDER WHICH FOREIGN EXCHANGE FOR IMPORTS IS GIVEN AS A BONUS FOR EXPORTS) AND ALSO IN ITS RECENT DECISION TO ALLOCATE MORE FOREIGN EXCHANGE FOR IMPORTS, WHICH WOULD ALLOW FOR MORE IMPORTS FROM COUNTRIES OTHER THAN INDIA AND THEREBY INCREASE THE POTENTIAL FLOW OF SMUGGLED FOREIGN GOODS INTO INDIA.

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2. WHEN THIS LATTER POINT WAS RAISED BY DCM WITH FOREIGN SECRETARY BHATT DECEMBER 15, HE SAID GON WOULD NOT AGREE TO INCLUDE IN ANY AGREEMENT ON SMUGGLING AN UNDERTAKING TO MAKE CHANGES IN ITS EXPORT BONUS SCHEME OR FOREIGN EXCHANGE ALLOCATIONS. HE ADDED THAT THE GON ON ITS OWN, HOWEVER, MIGHT DECIDE THAT SUCH STEPS WOULD BE A USEFUL CONTRIBUTION TO THE EFFORT TO REDUCE SMUGGLING.

3. ON OTHER ASPECTS OF VISIT, ARORA, IN RESPONSE TO  
QUERRY, SAID THERE HAD BEEN NO DISCUSSION OF B.P. KOIRALA  
OR NEPALI CONGRESS DURING DESAI'S VISIT. WITH REGARD TO  
DESAI'S STATEMENT AT PRESS CONFERENCE THAT THERE WERE NO  
TRAVEL RESTRICTIONS ON NEPALESE IN INDIA, ARORA SAID THAT  
PRIME MINISTER DESAI HAD NOT FULLY UNDERSTOOD THE QUESTION,  
AND INDIAN EMBASSY WOULD BE PUTTING OUT CLARIFICATION TO  
INDICATE THAT PERMIT SYSTEM FOR NEPALESE ENTERING  
RESTRICTED AREAS STILL REMAINED. (THIS CLARIFICATION HAS  
SUBSEQUENTLY APPEARED IN THE NEPALESE PRESS).  
HECK

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRIME MINISTER, VISITS  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Office:** ACTION NEA  
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**Original Handling Restrictions:** n/a  
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**Previous Classification:** CONFIDENTIAL  
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**Reference:** 77 KATHMANDU 5426  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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